

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 13 – DEBT**Short-term debt instruments and liquidity**

King County has two short-term limited tax general obligation bond anticipation notes outstanding as of December 31, 2004. The County completed the sale of \$46.37 million bond anticipation notes, 2004A Notes and 2004B Notes on November 2, 2004. The 2004A Notes in the amount of \$20.0 million were issued to provide interim financing for the seismic retrofit of the County Courthouse, the integrated security and jail health project, and the Kent Pullen Regional Communications and Emergency Coordination Center. The 2004B Notes in the amount of \$26.37 million were issued to provide interim financing for the Juanita Woodland Open Space Acquisition Project and the Forestry and Nearshore Initiative Project. The County intends to issue replacement bond anticipation notes when both 2004A and 2004B Notes mature on November 1, 2005. On October 1, 2004, the County paid and retired \$80.0 million of limited tax general obligation bond anticipation notes, 2003A, with proceeds from the issuance of \$82.435 million of limited tax general obligation bonds, 2004B.

In addition, the County has \$100.0 million of commercial paper outstanding in the Water Quality Enterprise Fund. The commercial paper has maturities ranging from 19 to 59 days. At the time of initial issuance the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the enterprise. Repayment of the debt will be made from operating revenues.

A summary of changes in short-term debt as of December 31, 2004, is provided by the following schedule:

**CHANGES IN SHORT-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance 01/01/04	Additions	Reductions	Balance 12/31/04
Governmental activities:				
Limited tax GO bond anticipation notes	\$ 80,000,000	\$ 46,370,000	\$ (80,000,000)	\$ 46,370,000
Unamortized premium bonds sold	562,800	552,122	(654,821)	460,101
Governmental activity short-term debt	<u>\$ 80,562,800</u>	<u>\$ 46,922,122</u>	<u>\$ (80,654,821)</u>	<u>\$ 46,830,101</u>
Business-type activities:				
Commercial paper	\$ 100,000,000	\$ -	\$ -	\$ 100,000,000
Business-type activity short-term debt	<u>\$ 100,000,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 100,000,000</u>

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 13 – CONTINUED

Long-term debt

King County Primary Government's long-term debt is reported under governmental activities and business-type activities. Governmental activities long-term debt consists of general obligation bonds, general obligation capital leases, and special assessment bonds with governmental commitment. Special assessment bonds are guaranteed for payment from resources of the Road Improvement Guaranty Fund if a road improvement district fails to pay.

Business-type activities long-term debt consists of limited tax general obligation bonds accounted for in the King County International Airport, Solid Waste, Public Transportation, and Water Quality Enterprise Funds; revenue capital leases accounted for in the Public Transportation Fund; and State of Washington revolving fund loans and revenue bonds accounted for in the Water Quality Enterprise.

**KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 13 – CONTINUED

**SCHEDULE OF LONG-TERM DEBT
(Page 1 of 3)**

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
I. Governmental Activities - Long-Term Debt				
IA. GOVERNMENTAL ACTIVITIES - GENERAL OBLIGATIONS				
LIMITED GENERAL OBLIGATION BONDS				
Payable from Limited G.O. Bond Redemption Fund				
1993 Various Purpose Series B (Partial)	12/01/93	5.35% to 6.70%	\$ 109,435,833	\$ 42,110,000
1996 Various Purpose Series A (Partial)	02/01/96	5.00% to 5.25%	105,268,054	10,360,000
1996 Refunding Series B	03/01/96	4.10% to 4.60%	10,348,276	5,510,353
1997 Baseball Stadium Parking Facilities(Taxable) Series C	04/01/97	7.06% to 7.79%	25,000,000	4,185,000
1997 Baseball Stadium Series D	04/17/97	4.60% to 5.75%	150,000,000	76,730,000
1997 Kingdome Debt Service Reimburse (Taxable) Series E	12/01/97	6.25% to 6.88%	6,595,000	6,285,000
1997 Kingdome Debt Refunding Series F	12/01/97	5.00% to 5.20%	51,525,000	51,085,000
1997 Various Purpose Series G (Partial)	12/01/97	4.50% to 5.00%	72,080,000	39,090,000
1999 Various Purpose Series A (Partial)	05/01/99	4.00% to 5.25%	85,694,670	43,137,068
2001 Various Purpose (Partial)	11/15/01	3.00% to 5.00%	26,925,000	22,020,000
2002 Refunding 97B Series (Baseball Stadium)	05/20/02	4.00% to 5.50%	124,575,000	100,755,000
2002 Various Purpose (Road CIP)	09/30/02	2.00% to 5.00%	38,340,000	34,035,000
2003 Limited Tax G.O. (Payoff BAN 2003B) Series A	10/30/03	2.00% to 5.25%	27,605,000	26,795,000
2003 Refunding Various Purpose Series B (Partial)	10/30/03	2.00% to 5.25%	27,890,000	27,655,000
2004 Refunding 1996A Series A	09/21/04	2.00% to 5.00%	57,045,000	57,045,000
2004 Limited Tax G.O. (Payoff BAN2003A) Series B	10/01/04	2.50% to 5.00%	82,435,000	82,435,000
2004 Baseball Stadium (Refg 1997C Partial) (Taxable) Series C	12/21/04	2.92% to 4.49%	13,195,000	13,195,000
2004 Baseball Stadium (Refg 1997D Partial) Series D	12/21/04	3.00% to 5.00%	32,075,000	32,075,000
Total payable from limited G.O Redemption Fund			<u>1,046,031,833</u>	<u>674,502,421</u>
Payable from Internal Service Funds				
1996 Various Purpose A (Partial)	02/01/96	5.00% to 5.25%	9,969,883	1,745,000
1997 Various Purpose G (Partial)	12/01/97	4.50% to 5.00%	1,270,000	450,000
1999 Limited Tax G.O. Various Purpose Series A	05/01/99	4.00% to 5.25%	525,000	280,000
2001 Limited Tax G.O. Various Purpose (Partial)	11/15/01	3.00% to 5.00%	1,050,000	775,000
Total payable from Internal Service Funds			<u>12,814,883</u>	<u>3,250,000</u>
Limited G.O. capital leases				
Payable from Public Health	Various	Various	760,972	309,349
Payable from General Fund - Issaquah District Court	09/29/98	3.80% to 5.05%	5,900,000	5,025,000
Payable from Various Funds - King Street Center's Tenants	06/01/97	4.50% to 5.13%	78,275,000	74,385,000
Payable from Harborview Medical Center	11/13/02	4.00% to 5.38%	62,540,000	62,540,000
Total limited G.O. capital leases			<u>147,475,972</u>	<u>142,259,349</u>
TOTAL GOVERNMENTAL ACTIVITIES - LIMITED GENERAL OBLIGATION DEBT			<u>\$ 1,206,322,688</u>	<u>\$ 820,011,770</u>

**KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 13 – CONTINUED

**SCHEDULE OF LONG-TERM DEBT
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	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
IA. GOVERNMENTAL ACTIVITIES - GENERAL OBLIGATIONS (continued)				
UNLIMITED GENERAL OBLIGATION BONDS				
Payable from Unlimited G.O. Redemption Fund				
2000 Refunding Bonds	10/01/00	5.00% to 5.50%	\$ 102,740,000	\$ 71,280,000
2001 Harborview Medical Center	01/22/01	4.00% to 5.00%	29,130,000	26,400,000
2003 Refunding 1993C Bonds	04/23/03	2.00% to 5.25%	208,795,000	90,305,000
2004 ULTGO Bonds Series A (HMC)	05/04/04	2.00% to 5.00%	110,000,000	110,000,000
2004 ULTGO Bonds Series B (HMC)	09/14/04	3.00% to 5.00%	54,000,000	54,000,000
Total payable from Unlimited General Obligation Bond Redemption Fund			<u>504,665,000</u>	<u>351,985,000</u>
Payable from Stadium G.O. Bond Redemption Fund				
2000 Refunding Bonds	10/01/00	5.00% to 5.50%	<u>18,880,000</u>	<u>13,565,000</u>
TOTAL UNLIMITED GENERAL OBLIGATION BONDS			<u>523,545,000</u>	<u>365,550,000</u>
IB. SPECIAL ASSESSMENT GENERAL LONG-TERM DEBT				
Special assessment bonds with governmental commitment - bonds payable from Road Improvement Districts S.A. Bond Redemption Fund				
RID 2 Consolidated	07/01/86	7.88% to 8.25%	<u>286,192</u>	<u>15,000</u>
TOTAL SPECIAL ASSESSMENT GENERAL LONG-TERM DEBT			<u>286,192</u>	<u>15,000</u>
Total Governmental Activities - Long-Term Debt			<u>\$ 1,730,153,880</u>	<u>\$ 1,185,576,770</u>
II. Business-Type Activities - Long-Term Debt				
IIA. BUSINESS-TYPE ACTIVITIES - GENERAL OBLIGATIONS				
LIMITED GENERAL OBLIGATION BONDS				
Payable from Enterprise Funds				
1995 Limited Tax (Water Quality) Series A	05/01/95	5.50% to 5.88%	90,000,000	315,000
1996 Limited Tax Refunding Series B (Partial)	03/01/96	4.10% to 4.75%	12,631,724	7,989,647
1996 Limited Tax G.O. Refunding (Revenue Bonds) Series C	12/15/96	5.00% to 6.25%	130,965,000	98,095,000

**KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 – CONTINUED

**SCHEDULE OF LONG-TERM DEBT
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	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
IIA. BUSINESS-TYPE ACTIVITIES - GENERAL OBLIGATIONS (continued)				
LIMITED GENERAL OBLIGATION BONDS				
Payable from Enterprise Funds				
1998 LTGO (Public Transport. Sales Tax) Refunding Series A	05/15/98	4.50% to 5.00%	\$ 85,715,000	\$ 62,710,000
1998 Limited Tax G.O. Refunding(WQ-LTGO & REV.) Series B	09/15/98	4.75% to 5.25%	261,625,000	257,650,000
1999 Limited Tax G.O. (Refunding part) Series A	05/01/99	4.00% to 5.25%	8,720,330	7,717,932
2001 Limited Tax G.O. Various Purpose (Partial)	11/15/01	3.00% to 5.00%	8,580,000	7,770,000
2002 LTGO (Public Transportation Sales Tax) Refunding Bonds	10/21/02	3.00% to 5.50%	64,285,000	59,365,000
2003 LTGO Refunding 93A Bonds Series B (Partial)	10/30/03	2.00% to 5.25%	12,545,000	9,630,000
2004 LTGO (Public Transportation Sales Tax) Bonds	06/08/04	2.50% to 5.50%	49,695,000	49,695,000
Total payable from Enterprise Funds			<u>724,762,054</u>	<u>560,937,579</u>
BUSINESS-TYPE ACTIVITIES - REVENUE BONDS, CAPITAL LEASES AND LOANS				
Payable from Enterprise Funds				
Sewer and Drainage Bond Issue 472 Special	05/01/75	-0- -0-	500	500
1999 Sewer Revenue Bonds Series 1	06/01/99	5.25% to 5.50%	80,000,000	80,000,000
1999 Sewer Revenue Bonds Series 2	11/01/99	5.00% to 6.25%	60,000,000	6,225,000
2001 Sewer Revenue Bonds Junior Lien Series A	08/06/01	Variable Rate ^(a)	50,000,000	50,000,000
2001 Sewer Revenue Bonds Junior Lien Series B	08/06/01	Variable Rate ^(a)	50,000,000	50,000,000
2001 Sewer Revenue and Refunding Bonds	11/13/01	3.00% to 5.25%	270,060,000	249,480,000
2002 Sewer Revenue Bonds Series A	08/14/02	5.00% to 5.50%	100,000,000	100,000,000
2002 Sewer Revenue Refunding Bonds Series B	10/03/02	3.00% to 5.50%	346,130,000	333,255,000
2003 Sewer Revenue Refunding Bonds Series A	04/24/03	2.00% to 5.25%	96,470,000	94,620,000
2004 Sewer Revenue Series A	03/18/04	4.50% to 5.00%	185,000,000	185,000,000
2004 Sewer Revenue Refg 1999-2 Bonds Series B	03/18/04	2.00% to 5.00%	61,760,000	61,760,000
2000-2004 State of Washington Loans	Various	0.50% to 1.50%	98,516,228	93,465,242
1996 Public Transportation Revenue Capital Leases	Various	5.32%	61,375,628	9,346,559
2000 Public Transportation Revenue Park & Ride Capital Leases	03/30/00	5.00%	4,721,840	3,754,140
Total business-type activities revenue bonds, capital leases, and loans			<u>1,464,034,196</u>	<u>1,316,906,441</u>
Total Business-Type Activities - Long-Term Debt			<u>2,188,796,250</u>	<u>1,877,844,020</u>
Total Long-Term Debt (Excluding G.O. Long-term Liabilities)			<u>\$ 3,918,950,130</u>	<u>\$ 3,063,420,790</u>

- (a) The variable rate bonds initially bear interest at Weekly Rates. The Weekly Rate for each Interest Period in the Weekly Mode is determined by the Remarketing Agents. The bonds in the Weekly Mode may be changed to or from the Weekly Mode to or from a Daily Mode, a Commercial Paper Mode, or a Long-term Mode, or to a Fixed Mode, upon satisfaction of the "Change in Modes" conditions.

KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 13 – CONTINUED

DEBT SERVICE REQUIREMENTS TO MATURITY AS OF DECEMBER 31, 2004
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GOVERNMENTAL ACTIVITIES

Year	General Obligation Bonds		General Obligation Capital Leases		Special Assessment Bonds (With Governmental Commitment)		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 75,153,990	\$ 49,084,576	\$ 2,324,256	\$ 7,220,286	\$ -	\$ 1,238	\$ 77,478,246	\$ 56,306,100
2006	80,368,474	46,653,706	3,609,502	7,105,156	-	1,237	83,977,976	53,760,099
2007	84,788,041	42,867,249	3,685,591	6,938,666	-	1,238	88,473,632	49,807,153
2008	76,864,034	38,971,894	3,830,000	6,757,028	15,000	1,237	80,709,034	45,730,159
2009	79,674,184	35,206,576	4,020,000	6,564,440	-	-	83,694,184	41,771,016
2010-2014	342,758,698	123,869,901	23,405,000	29,529,498	-	-	366,163,698	153,399,399
2015-2019	181,280,000	50,605,053	30,230,000	22,700,959	-	-	211,510,000	73,306,012
2020-2024	116,180,000	15,220,816	36,490,000	14,037,308	-	-	152,670,000	29,258,124
2025-2029	6,235,000	155,875	26,505,000	5,156,876	-	-	32,740,000	5,312,751
2030-2034	-	-	8,160,000	617,000	-	-	8,160,000	617,000
	<u>\$ 1,043,302,421</u>	<u>\$ 402,635,646</u>	<u>\$ 142,259,349</u>	<u>\$ 106,627,217</u>	<u>\$ 15,000</u>	<u>\$ 4,950</u>	<u>\$ 1,185,576,770</u>	<u>\$ 509,267,813</u>

**KING COUNTY, WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 13 – CONTINUED

**DEBT SERVICE REQUIREMENTS TO MATURITY AS OF DECEMBER 31, 2004
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BUSINESS-TYPE ACTIVITIES**

Year	General Obligation Bonds		Revenue Bonds Capital Leases and Loans		Total Business-Type Activities		Total Long-Term Debt (Excluding General Obligation Long-Term Liabilities)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 19,821,010	\$ 28,114,297	\$ 32,293,976	55,587,452	\$ 52,114,986	\$ 83,701,749	\$ 129,593,232	\$ 140,007,849
2006	18,606,528	27,220,237	27,978,037	55,311,274	46,584,565	82,531,511	130,562,541	136,291,610
2007	18,991,959	26,335,775	29,808,726	54,093,070	48,800,685	80,428,845	137,274,317	130,235,998
2008	16,315,966	25,509,614	30,892,957	52,770,194	47,208,923	78,279,808	127,917,957	124,009,967
2009	17,095,816	24,770,903	32,270,761	51,328,775	49,366,577	76,099,678	133,060,761	117,870,694
2010-2014	87,521,300	110,945,350	186,557,876	233,078,504	274,079,176	344,023,854	640,242,874	497,423,253
2015-2019	105,080,000	87,961,504	184,729,662	186,654,128	289,809,662	274,615,632	501,319,662	347,921,644
2020-2024	73,190,000	63,376,671	178,740,627	147,784,228	251,930,627	211,160,899	404,600,627	240,419,023
2025-2029	91,075,000	42,671,724	200,781,349	103,078,158	291,856,349	145,749,882	324,596,349	151,062,633
2030-2034	113,240,000	13,875,228	354,292,470	47,348,989	467,532,470	61,224,217	475,692,470	61,841,217
2035-2039	-	-	58,560,000	1,469,275	58,560,000	1,469,275	58,560,000	1,469,275
TOTAL	\$ 560,937,579	\$ 450,781,303	\$ 1,316,906,441	\$ 988,504,047	\$ 1,877,844,020	\$ 1,439,285,350	\$ 3,063,420,790	\$ 1,948,553,163

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 13 – CONTINUED

The following table summarizes changes in long-term liabilities for the year ended December 31, 2004.

CHANGES IN LONG-TERM LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Balance 01/01/04	Additions	Reductions	Balance 12/31/04	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 870,271,217 ^(a)	\$ 348,750,000	\$ (175,718,796)	\$ 1,043,302,421	\$ 75,153,990
Special assessment bonds with governmental commitment	135,000	-	(120,000)	15,000	-
Less deferred amounts:					
Unamortized premium bonds sold	19,407,827	17,807,465	(4,127,098)	33,088,194	5,065,927
Issuance cost/underwriters' discount	(3,041,708)	(2,362,765)	553,683	(4,850,790)	(701,638)
Refunding losses	(11,859,982)	(8,967,082)	2,049,053	(18,778,011)	(3,609,842)
Total bonds payable	874,912,354	355,227,618	(177,363,158)	1,052,776,814	75,908,437
Limited G.O. capital leases	81,677,093	62,805,185	(2,222,929)	142,259,349	2,324,256
Claims and judgments payable	24,614,304	3,419,661	(6,614,304)	21,419,661	19,529,000
Compensated absences liability	73,018,179	1,885,801	(2,992,442)	71,911,538	3,377,825
Unemployment compensated liabilities	2,275,000	1,601,306	(2,118,306)	1,758,000	1,758,000
Estimated claims settlements and other liabilities	71,797,376	171,551,686	(134,176,810)	109,172,252	73,965,992
Rebatable arbitrage	1,167,999	-	(845,750)	322,249	29,511
Total Governmental activities long-term liabilities	<u>\$ 1,129,462,305</u>	<u>\$ 596,491,257</u>	<u>\$ (326,333,699)</u>	<u>\$ 1,399,619,863</u>	<u>\$ 176,893,021</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 528,773,783	\$ 49,695,000	\$ (17,531,204)	\$ 560,937,579	\$ 19,821,010
Revenue bonds	1,038,055,500	246,760,000	(74,475,000)	1,210,340,500	20,585,500
Less deferred amounts:					
Deferred bond discounts/ refunding losses	(63,277,175)	22,148,086	(22,049,677)	(63,178,766)	(3,022,951)
Total bonds payable	1,503,552,108	318,603,086	(114,055,881)	1,708,099,313	37,383,559
Capital leases	29,146,684	-	(16,045,985)	13,100,699	9,416,178
State revolving loans	86,391,087	9,145,717	(2,071,562)	93,465,242	2,292,796
Claims and judgments payable	11,841,639	2,046,819	(10,343,065)	3,545,393	2,132,351
Compensated absences liability	49,068,738	1,267,272	(4,093,398)	46,242,612	3,444,888
Landfill closure and post-closure care liability	95,267,965	-	(7,371,696)	87,896,269	4,328,557
Other liabilities	1,174,418	2,547,777	(290,725)	3,431,470	1,193,576
Total Business-type activities long-term liabilities	<u>\$ 1,776,442,639</u>	<u>\$ 333,610,671</u>	<u>\$ (154,272,312)</u>	<u>\$ 1,955,780,998</u>	<u>\$ 60,191,905</u>

Governmental activities long-term liabilities, other than debt, are primarily estimated claims settlements liquidated by internal service funds. At year-end, internal service funds estimated claims settlements of \$109,067,983 are included in the above amount. For the governmental activities, compensated absences are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably the General Fund, the Public Health Fund, and the County Road Fund.

(a) In prior years, the bonds payable from component units' resources were reported as part of the component units' liabilities. In 2004, these debts are included with the Primary Government's governmental activities' bonds payable, and the beginning balance of \$854,398,951 has been restated to include \$15,872,266 of bonds payable from component units' resources.

**NOTES TO FINANCIAL STATEMENTS
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NOTE 13 – CONTINUED**Computation of Legal Debt Margin**

Under Washington state law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2½ percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1½ percent of assessed value of property within the County for general county purposes and ¾ percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1½ percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2½ percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the \$1.80 per \$1,000 of assessed value operating levy.

**COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED DECEMBER 31, 2004**

2004 ASSESSED VALUE	\$ 248,911,782,339
Debt limit of limited tax (LT) general obligations for metropolitan functions	
¾ % of assessed value	\$ 1,866,838,368
Less: Net LT general obligation indebtedness for metropolitan functions	(555,293,819)
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	\$ 1,311,544,549
Debt limit of LT general obligations for general county purposes and metropolitan functions - 1½ % of assessed value	\$ 3,733,676,735
Less: Net LT general obligation indebtedness for general county purposes	(946,292,170)
Net LT general obligation indebtedness for metropolitan functions	(555,293,819)
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	(1,501,585,989)
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	\$ 2,232,090,746
Debt limit of total general obligations for metropolitan functions	
2½ % of assessed value	\$ 6,222,794,558
Less: Net total general obligation indebtedness for metropolitan functions	(555,293,819)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	\$ 5,667,500,739
Debt limit of total general obligations for general county purposes	
2½ % of assessed value	\$ 6,222,794,558
Less: Net unlimited tax general obligation indebtedness for general county purposes	(345,099,274)
Net LT general obligation indebtedness for general county purposes	(946,292,170)
Net total general obligation indebtedness for general county purposes	(1,291,391,444)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	\$ 4,931,403,114

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 13 – CONTINUED**Refunding and Defeating General Obligation Bond Issues – 2004**

Limited Tax General Obligation and Refunding Bonds, 2004A – On September 21, 2004, the County issued \$57,045,000 in Limited Tax General Obligation Bonds with an average interest rate of 3.59 percent to advance refund \$57,010,000 of outstanding various purpose Limited Tax General Obligation Bonds – 1996A bonds with an average interest rate of 5.19 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 1996A Series bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the Statement of Net Assets.

The advance refunding transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,685,371. This difference, reported in the Statement of Net Assets as a reduction from bonds payable, is being charged to operations through fiscal year 2016, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$4,527,279 over the life of the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$3,708,552.

Limited Tax General Obligation (Baseball Stadium) and Refunding Bonds, 2004C (Taxable) – On December 21, 2004, the County issued \$13,195,000 in Limited Tax General Obligation Bonds with an average interest rate of 4.16 percent to advance refund \$18,170,000 of outstanding Limited Tax General Obligation Bonds, 1997C (Taxable) with an average interest rate of 8.05 percent. The net proceeds, together with \$7,985,000 of other monies, were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 1997C Series bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the Statement of Net Assets.

The advance refunding transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,905,000. This difference, reported in the Statement of Net Assets as a reduction from bonds payable, is being charged to operations through fiscal year 2011, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$16,117,237 over the life of the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$2,472,278.

Limited Tax General Obligation (Baseball Stadium) and Refunding Bonds, 2004D (Tax-Exempt) – On December 21, 2004, the County issued \$32,075,000 in Limited Tax General Obligation Bonds with an average interest rate of 3.26 percent to advance refund \$36,155,000 of outstanding Limited Tax General Obligation Bonds, 1997D (Tax-Exempt) with an average interest rate of 5.72 percent. The net proceeds, together with \$5,000,000 of other monies, were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 1997D Series bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the Statement of Net Assets.

The advance refunding transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt by \$3,376,711. This difference, reported in the Statement of Net Assets as a reduction from bonds payable, is being charged to operation

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NOTE 13 – CONTINUED

through fiscal year 2011, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$8,700,508 over the life of the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1,703,458.

Refunding Water Quality Revenue Bond Issues – 2004

Sewer Revenue Refunding Bonds, 2004B – On March 18, 2004, the County issued \$61,760,000 in Sewer Revenue Bonds with an average interest rate of 4.31 percent to advance refund \$53,775,000 of outstanding Sewer Revenue Bonds 1999-2 with an average interest rate of 6.19 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 1999-2 bonds are considered defeased and the liability for those bonds has been removed from the business-type column of the Statement of Net Assets.

The advance refunding transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt by \$8,662,168. This difference, reported in the Statement of Net Assets as a reduction from bonds payable, is being charged to operation through fiscal year 2035, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$7,195,082 over the life of the bonds and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,070,221.

Refunded Bonds

King County has 17 outstanding refunded and defeased bond issues of limited and unlimited tax general obligation bonds and revenue bonds that were originally reported in the governmental and business-type activities of the Statement of Net Assets. The payments of principal and interest on these bond issues are the responsibility of the escrow agent, the US Bank of Washington, and the liability of the defeased bonds has been removed from the Statement of Net Assets.

The following is a schedule of defeased bonds outstanding as of December 31, 2004.

	Governmental Activities	Business-type Activities
Limited Tax G.O. Refunded Bonds	\$ 286,990,000	\$ 87,460,000
Unlimited Tax G.O. Refunded Bonds	35,660,000	-
Revenue Bonds	-	53,775,000
Totals	<u>\$ 322,650,000</u>	<u>\$ 141,235,000</u>

Future Borrowing Plans

During the first quarter of 2005, the County sold \$200 million of limited tax general obligation bonds payable from Sewer Revenues to provide funding for its Wastewater capital

**NOTES TO FINANCIAL STATEMENTS
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NOTE 13 – CONTINUED

improvement program. These bonds are additionally secured by a pledge of the revenues of the County's sewer system.

The County has identified the need to issue approximately \$200 million of additional limited tax general obligation bonds through 2007. The proceeds of these bonds are expected to provide funds to finance the Transit Division's capital improvement program (\$50 million), open space acquisitions (\$30 million), remodeling projects at the County's jail (\$20 million), roads improvements (\$20 million), improvements at the Harborview Medical Center (\$50 million), the solid waste division's capital program (\$15 million), and various other projects. The \$50 million of bonds expected to be issued on behalf of the Transit Division's capital improvement program will be additionally secured by the sales tax revenues dedicated to the Transit Division.

For much of the balance of the decade the County will need to issue approximately \$250 million of new debt annually to provide continuing funding for its Wastewater Treatment Division's capital improvement program. While most of this new debt will be in the form of Sewer Revenue bonds, a portion may be comprised of additional limited tax general obligation bonds that are secured by a pledge of the revenues of the Wastewater Treatment Division.